

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Convis</u>	County Calhoun
Audit Date March 31, 2004	Opinion Date May 19, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, LLP</b>			
Street Address 67 W. Michigan Avenue, Suite 500	City Battle Creek	State MI	ZIP 49017
Accountant Signature 			

# **Township of Convis Calhoun County, Michigan**

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**Financial Report  
with Additional Information  
March 31, 2004**

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**Independent Auditor's Report**

To the Members of the Convis Township Board  
Township of Convis

We have audited the accompanying general purpose financial statements of the Township of Convis as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Convis' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Convis as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

May 19, 2004

A member of



A worldwide association of independent accounting firms

# Township of Convis

## Combined Balance Sheet All Fund Types and Account Groups March 31, 2004

	Governmental Fund Type		Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Fixed Assets	
<b>Assets</b>					
Cash and investments (Note 2)	\$ 1,326,234	\$ 440,283	\$ 272	\$ -	\$ 1,766,789
Receivables - Customers	28,362	1,493	-	-	29,855
Due from other funds (Note 3)	272	499	-	-	771
Capital assets (Note 4)	-	-	-	1,843,970	1,843,970
Total assets	<u>\$ 1,354,868</u>	<u>\$ 442,275</u>	<u>\$ 272</u>	<u>\$ 1,843,970</u>	<u>\$ 3,641,385</u>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accrued liabilities	\$ 2,825	\$ -	\$ -	\$ -	\$ 2,825
Due to other funds (Note 3)	499	-	272	-	771
Total liabilities	3,324	-	272	-	3,596
<b>Fund Equity</b>					
Investment in general fixed assets	-	-	-	1,843,970	1,843,970
Fund balances	1,351,544	442,275	-	-	1,793,819
Total fund equity	1,351,544	442,275	-	1,843,970	3,637,789
Total liabilities and fund equity	<u>\$ 1,354,868</u>	<u>\$ 442,275</u>	<u>\$ 272</u>	<u>\$ 1,843,970</u>	<u>\$ 3,641,385</u>

# Township of Convis

## Combined Statement of Revenue, Expenditures and Changes in Fund Balances All Governmental Fund Types Year Ended March 31, 2004

	Governmental Fund Types		
	General	Special Revenue	Total (Memorandum Only)
<b>Revenue</b>			
State shared revenue	\$ 115,949	\$ -	\$ 115,949
Landfill impact fees	255,137	13,812	268,949
Licenses and permits	175	-	175
Interest on investments	40,822	8,973	49,795
Miscellaneous	12,210	-	12,210
Total revenue	424,293	22,785	447,078
<b>Expenditures</b>			
General government	154,283	-	154,283
Public safety	145,772	-	145,772
Street expenditures	53,646	-	53,646
Planning and zoning	19,958	-	19,958
Miscellaneous	41,491	-	41,491
Total expenditures	415,150	-	415,150
<b>Excess of Revenue Over Expenditures</b>	9,143	22,785	31,928
<b>Fund Balances - April 1, 2003</b>	1,342,401	419,490	1,761,891
<b>Fund Balances - March 31, 2004</b>	<u>\$ 1,351,544</u>	<u>\$ 442,275</u>	<u>\$ 1,793,819</u>

# Township of Convis

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
State shared revenue	\$ 90,000	\$ 115,949	\$ 25,949
Landfill impact fees	177,000	255,137	78,137
Licenses and permits	1,000	175	(825)
Interest on investments	120,000	40,822	(79,178)
Miscellaneous	12,300	12,210	(90)
Total revenue	400,300	424,293	23,993
<b>Expenditures</b>			
General government	577,175	154,283	422,892
Public safety	201,500	145,772	55,728
Street expenditures	150,000	53,646	96,354
Planning and zoning	43,500	19,958	23,542
Miscellaneous	84,700	41,491	43,209
Total expenditures	1,056,875	415,150	641,725
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	(656,575)	9,143	665,718
<b>Other Financing Sources (Uses)</b>	(125,500)	-	125,500
<b>Excess (Deficiency) of Revenue Over Expenditures and Other Financing Sources (Uses)</b>	(782,075)	9,143	791,218
<b>Fund Balances - April 1, 2003</b>	1,342,401	1,342,401	-
<b>Fund Balances - March 31, 2004</b>	<u>\$ 560,326</u>	<u>\$ 1,351,544</u>	<u>\$ 791,218</u>

See Notes to Financial Statements.

**Combined Statement of Revenue, Expenditures and  
Changes in Fund Balances - Budget and Actual  
General and Special Revenue Fund Types  
Year Ended March 31, 2004**

Special Revenue			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 90,000	\$ 115,949	\$ 25,949
-	13,812	13,812	177,000	268,949	91,949
-	-	-	1,000	175	(825)
-	8,973	8,973	120,000	49,795	(70,205)
-	-	-	12,300	12,210	(90)
-	22,785	22,785	400,300	447,078	46,778
-	-	-	577,175	154,283	422,892
-	-	-	201,500	145,772	55,728
-	-	-	150,000	53,646	96,354
-	-	-	43,500	19,958	23,542
-	-	-	84,700	41,491	43,209
-	-	-	1,056,875	415,150	641,725
-	22,785	22,785	(656,575)	31,928	688,503
115,500	-	(115,500)	(10,000)	-	(10,000)
115,500	22,785	(92,715)	(666,575)	31,928	678,503
419,490	419,490	-	1,761,891	1,761,891	-
<b>\$ 534,990</b>	<b>\$ 442,275</b>	<b>\$ (92,715)</b>	<b>\$ 1,095,316</b>	<b>\$ 1,793,819</b>	<b>\$ 678,503</b>



### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Township is governed by an elected five-member Board of Trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

#### **Fund Accounting**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

#### **Governmental Funds**

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

#### **Fiduciary Funds**

**Trust and Agency Funds** - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Basis of Accounting

All governmental funds and agency funds utilize the modified-accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien at that time. These taxes are billed on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Fixed Assets** - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements, such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

The General Fixed Assets Account Group is not a fund and does not involve the measurement of results of operations.

**Investments** - Investments are recorded at fair value based on quoted market prices.

# Township of Convis

## Notes to Financial Statements March 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Memorandum Only Totals** - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

### Note 2 - Deposits and Investments

The Township's cash and investments consist of the following at March 31, 2004:

Deposits	\$ 1,014,941
Investments	<u>751,848</u>
Total	<u>\$ 1,766,789</u>

**Deposits** - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,031,804. Of that amount, \$900,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized at March 31, 2004.

**Investments** - The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The Township's investments during the year consisted solely of mutual funds. The mutual funds are registered with the SEC. There was \$751,848 invested in such funds at March 31, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above.

# Township of Convis

## Notes to Financial Statements March 31, 2004

### Note 3 - Interfund Receivables

The following are the interfund receivables at March 31, 2004:

General Fund:	
Trust and Agency Fund	\$ 5
Tax Collection Fund	<u>267</u>
Total general fund	272
Special Revenue Fund:	
General Fund	<u>499</u>
Total interfund receivables	<u><u>\$ 771</u></u>

### Note 4 - Capital Assets

A summary of changes in capital assets follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and buildings	\$ 1,536,574	\$ -	\$ -	\$ 1,536,574
Fire trucks	37,585	63,437	-	101,022
Machinery and equipment	83,563	4,760	-	88,323
Joint venture	<u>117,563</u>	<u>488</u>	<u>-</u>	<u>118,051</u>
Total investment in capital assets	<u>\$ 1,775,285</u>	<u>\$ 68,685</u>	<u>\$ -</u>	<u>\$ 1,843,970</u>

### **Note 5 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, as well as employee injuries (workers' compensation). The Township has purchased commercial insurance for workers' compensation claims, and participates in the Michigan Townships Participation Plan for claims relating to property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### **Note 6 - Budget Information**

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004, has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (combined statement of revenue, expenditures and changes in fund balances - budget and actual - general and special revenue fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual expenditures to the General Fund budget as adopted by the Township Board is included in the additional information. There were no significant expenditure budget overruns for the year ended March 31, 2004.

# Township of Convis

## Notes to Financial Statements March 31, 2004

### Note 7 - Joint Venture

The Township is part of a joint venture with Assyria Township, Bellevue Township and the Village of Bellevue to operate and maintain the Bellevue Community Fire Control Board. Each governmental unit shares equally in the venture. The Bellevue Community Fire Department is managed by an Administrative Board composed of five members, one member selected from each political unit and a fifth member selected from a member board on a rotational annual basis. The four participants in the joint venture are responsible for establishing the annual budget and provide one-fourth of the annual budget each. A summary of the most recent financial information is as follows:

	March 31, 2004	
	Total	Township Share
Assets	\$ 479,738	\$ 119,935
Liabilities	7,536	1,884
Equity	<u>\$ 472,202</u>	<u>\$ 118,051</u>
Revenue	\$ 67,217	\$ 16,804
Expenditures	66,778	16,695
Net increase in fund balance	<u>\$ 439</u>	<u>\$ 110</u>
Net Additions (Deductions) to General Fixed Assets Group		<u>\$ (546)</u>

A copy of the audit report for the Bellevue Community Fire Control Board is available at the Township offices. During the current year, the Township contributed \$10,000 for its operation. The Township expenses its portion of support for the Bellevue Community Fire Control Board. The Township's share of net equity is recorded in the General Fixed Asset Account Group.

### Note 8 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Township plans to adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

## **Additional Information**

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To the Members of the Convis Township Board  
Township of Convis

We have audited the general purpose statements of the Township of Convis for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Convis. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Plante & Moran, PLLC*

May 19, 2004



# Township of Convis

## General Fund Schedule of Expenditures - Budget and Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>General Government</b>			
Supervisor:			
Salary	\$ 15,000	\$ 13,189	\$ 1,811
Deputy supervisor salary	3,000	2,500	500
Clerical	3,000	-	3,000
Total supervisor	21,000	15,689	5,311
Clerk:			
Salary	15,000	13,170	1,830
Deputy clerk	3,000	2,500	500
Total clerk	18,000	15,670	2,330
Treasurer:			
Salary - Regular	18,000	16,189	1,811
Deputy treasurer salary	5,000	3,200	1,800
Total treasurer	23,000	19,389	3,611
Trustee - Salary	3,600	2,900	700
Township Hall:			
Custodians	12,000	10,105	1,895
Drain	7,500	1,690	5,810
Repair and maintenance	119,100	10,217	108,883
Telephone	3,000	2,203	797
Fuel and electric	13,500	7,167	6,333
Office supplies	2,100	1,175	925
Capital outlay	258,500	18,721	239,779
Total township hall	415,700	51,278	364,422
Elections:			
Salaries	3,800	-	3,800
Capital outlay	3,675	185	3,490
Total elections	7,475	185	7,290

# Township of Convis

## General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>General Government (Continued)</b>			
General Services:			
Mileage	4,000	2,024	1,976
Legal and professional services	40,000	21,723	18,277
Payroll taxes	9,500	3,613	5,887
Board of review	3,000	2,109	891
Cemetery maintenance	12,000	8,962	3,038
Cemetery salaries	2,900	1,800	1,100
Education and training	17,000	8,941	8,059
Total general services	88,400	49,172	39,228
Total general government	577,175	154,283	422,892
<b>Public Safety</b>			
Police and Fire Protection:			
Fire control fees	92,000	77,537	14,463
Police protection	65,000	58,226	6,774
EMS equipment	7,500	-	7,500
Total police and fire protection	164,500	135,763	28,737
Ambulance Service Fees	37,000	10,009	26,991
Total public safety	201,500	145,772	55,728
<b>Street - Public Works - Road maintenance</b>	150,000	53,646	96,354

# Township of Convis

## General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Planning and Zoning</b>			
Planning commission salary	6,000	1,893	4,107
Miscellaneous	20,000	5,789	14,211
Appraisal service	12,000	12,276	(276)
Strategic planning	5,500	-	5,500
Total planning and zoning	43,500	19,958	23,542
 <b>Miscellaneous</b>			
Printing and publishing	15,000	1,037	13,963
Membership and dues	2,500	1,061	1,439
Insurance and bonds	22,500	19,887	2,613
Library	10,000	8,783	1,217
Miscellaneous	2,500	1,482	1,018
Office supplies and postage	13,500	4,783	8,717
Pollution control	8,500	1,488	7,012
Extra per diem	4,200	2,970	1,230
Historian	5,000	-	5,000
Newsletter editor salary	1,000	-	1,000
Total miscellaneous	84,700	41,491	43,209
Total expenditures	<u>\$ 1,056,875</u>	<u>\$ 415,150</u>	<u>\$ 641,725</u>

# Township of Convis

## Special Revenue Funds Combining Balance Sheet March 31, 2004

	Host Community Fund	Emergency Equipment and Services Fund	Total
<b>Assets</b>			
Cash and investments	\$ 222,151	\$ 218,132	\$ 440,283
Customer receivables	1,493	-	1,493
Due from other funds	499	-	499
Total assets	<u>\$ 224,143</u>	<u>\$ 218,132</u>	<u>\$ 442,275</u>
<b>Fund Equity</b>	<u>\$ 224,143</u>	<u>\$ 218,132</u>	<u>\$ 442,275</u>

# Township of Convis

## Special Revenue Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended March 31, 2004

	Host Community Fund	Emergency Equipment and Services Fund	Total
<b>Revenue</b>			
Landfill impact fees	\$ 13,812	\$ -	\$ 13,812
Interest on investments	<u>1,746</u>	<u>7,227</u>	<u>8,973</u>
Total revenue	15,558	7,227	22,785
<b>Fund Balances - April 1, 2003</b>	<u>208,585</u>	<u>210,905</u>	<u>419,490</u>
<b>Fund Balances - March 31, 2004</b>	<u><b>\$ 224,143</b></u>	<u><b>\$ 218,132</b></u>	<u><b>\$ 442,275</b></u>

# Township of Convis

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## Trust and Agency Funds Combining Balance Sheet March 31, 2004

	Agency Funds		
	Trust and Agency Fund	Tax Collection Fund	Total
<b>Assets</b>			
Cash and investments	<u>\$ 267</u>	<u>\$ 5</u>	<u>\$ 272</u>
<b>Liabilities</b>			
Due to General Fund	<u>\$ 267</u>	<u>\$ 5</u>	<u>\$ 272</u>

September 30, 2004

Mr. Michael Boyce, Supervisor  
Convis Township  
19500 Fifteen Mile Road  
Marshall, MI 49068

In planning and performing our audit of the financial statements of Convis Township for the year ended March 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

### **Reportable Conditions**

#### **Bank Reconciliations**

During our audit, we noted the Treasurer prepares bank reconciliations and investment schedules, but the balances are not agreed to the general ledger balances. The reconciliation of cash and investment balances to the general ledger needs to be prepared on a monthly basis. Reconciling the cash and investment accounts monthly helps to safeguard the assets of the Township along with providing relevant financial data to the decision makers of the Township.

#### **Trial Balance**

Upon our examination of the trial balance, it was noted that, although it balanced in total, it is not balanced by the individual funds and none of the audit entries from the audit for the year ended March 31, 2002 were posted to the general ledger. Journal entries to accomplish balancing each fund were done through the audit, however, in the future, you need to ensure all transactions are properly recorded. This includes utilizing transfer and due to/from accounts which moves money and transactions between each fund. The proper updating of the general ledger for both audit entries and interfund activity is crucial in providing an accurate picture of the Township's financial position.

### **Other Items of Interest**

#### **Hall Rental**

During our audit, we noted that when deposits and rental money is received, it is recorded in the rental revenue account. At year-end, this may overstate rental revenue by the deposit and by the money received for rentals in the following year.

We recommend the Township set up a liability account for deposits owed and for deferred revenue on rentals that will occur after March 31. This will allow for proper matching of revenues to the period in which they were earned.

#### **Credit Card Policy**

While reviewing the journal entries for the year ended March 31, 2004, we noted a journal entry posting for reimbursement back to the Township for personal use of the Township credit card. We recommend the Township board review the credit card policies and procedures to ensure the use of credit cards is adhering to those policies and procedures.

This report is intended solely for the information and use of the Township Board, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**PLANTE & MORAN, PLLC**

A handwritten signature in black ink, appearing to read "Duane Paradine". The signature is fluid and cursive, with a large initial "D" and "P".

Duane Paradine, CPA  
Partner